CAMBRIDGE ELECTRIC LIGHT COMPANY AND
COMMONWEALTH ELECTRIC COMPANY

Direct Testimony of Bryant K. Robinson

Exhibit CAM/COM-BKR

D.T.E. 00-83

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Bryant K. Robinson. My business address is 800 Boylston Street, Boston, Massachusetts 02199.

Q. By whom are you employed and in what capacity?

A. I am Manager of Revenue Requirements for the regulated operating companies of NSTAR. In this capacity, I am responsible for all regulatory filings concerning the financial requirements of Cambridge Electric Light Company ("Cambridge"), Commonwealth Electric Company ("Commonwealth") (together, the "Companies"), Boston Edison Company ("Boston Edison") and Commonwealth Gas Company.

Q. Please briefly summarize your educational and business experience.

A. I graduated from the University of Massachusetts – Dartmouth in 1978 earning a Bachelor's degree in Finance and from Northeastern University in 1988 with a Master's in Business Administration. For the years 1978 to 1983, I worked in the banking industry with State Street Bank and Trust Company and Boston Safe Deposit and Trust Company. In 1983, I joined Boston Edison's Audit Department, and held Staff Auditor and Senior Auditor positions. In 1989, I joined the Revenue Requirements Department as a Financial Research Analyst.

Subsequently, I have held positions as Senior Financial Research Analyst, Senior Financial Consultant and Principal Financial Analyst.

Q. Have you previously testified in proceedings before the Department of Telecommunications and Energy (the "Department") or any other regulatory body?

A. Yes, I testified in Boston Edison's Transition Charge true-up proceedings, D.T.E. 99-107 and D.T.E. 98-111. In addition, I presented cost of service testimony regarding Boston Edison's wholesale fuel adjustment clause to the Federal Energy Regulatory Commission ("FERC").

Q. What is the purpose of your testimony?

A. Section 1A(a) of the Massachusetts Electric Industry Restructuring Act (the "Act") requires the Department to review and to reconcile the difference between projected transition costs and actual transition costs. My testimony provides a description of the methodology used by Cambridge and Commonwealth to reconcile the Companies' forecast of Transition Charge revenues and costs for the period January 1, 1999 through December 31, 1999, which relies on previously filed information contained in the Companies' compliance filings in D.P.U./D.T.E. 97-111 and D.T.E. 98-78/83, with actual information for the same period. The reconciliation for the period from March 1, 1998 through December 31, 1998, was reviewed by the Department in D.T.E. 99-90, and a decision on that case is pending.

In addition, this reconciliation provides updated information (where final actual data are not yet available) for certain transactions that occurred during 2000. My testimony provides the Companies' update of their estimated future costs for the period beginning January 1, 2000, and the effect of such costs on the Companies' proposed Transition Charges for the period beginning January 1, 2001. The calculations of the Companies' proposed Transition Charges for 2001 are shown in Exhibit CAM-BKR-1 and Exhibit COM-BKR-1, together with their supporting schedules.

The Companies anticipate making a supplementary filing in the Spring of 2001, once the accounting for the year 2000 has been completed and actual amounts are known. At that time, actual 2000 information will be available to reconcile both 1999 and 2000 transition charges as part of this proceeding. Subsequent transition charge reconciliations would occur in the same manner. As a result, the Companies' next reconciliation filing in the fall of 2001 will reconcile 2001 transition costs, based on preliminary data filed in the fall of 2001 and updated with actual data in 2002.

Finally, my testimony provides a reconciliation of retail transmission costs and revenues and calculates the proposed 2001 average transmission rate.

Q. Please describe the exhibits included as attachments to your testimony.

A. I have included four exhibits for Cambridge and Commonwealth that are used: (i) to develop the Companies' reconciliation of Transition Charge revenues for the period January 1, 1999 through December 31, 1999; (ii) to calculate the Companies' proposed Transition Charges for calendar year 2001; and (iii) to develop the 2001 average retail transmission rate. The four exhibits are described as follows:

Exhibit CAM-BKR-1
Exhibit COM-BKR-1

Summarizes the development of the Companies' proposed Transition Charges for 2001 and the development of the Companies' reconciliation of Transition Charge revenues for the period January 1, 1999 through December 31, 1999. These exhibits incorporate the Companies' proposed method of computing and reconciling revenues collected from the Transition Charges.

Exhibit CAM-BKR-2
Exhibit COM-BKR-2

Summarizes the calculation of the amount of the Fixed Components, including the Residual Value Credits, that are applicable to each of the years 1999 through 2009.

Exhibit CAM-BKR-3
Exhibit COM-BKR-3

Presents the Companies' employee severance costs associated with the Companies' divestiture of generating facilities on December 30, 1998.

Exhibit CAM-BKR-4
Exhibit COM-BKR-4

Presents the development of the 2001 average retail transmission rate for Cambridge and Commonwealth.

II. BACKGROUND OF CAMBRIDGE'S AND COMMONWEALTH'S TRANSITION CHARGES

Q. What is the purpose of the Companies' Transition Charges?

A. As approved by the Department as part of the Companies' Restructuring Plan, and as set forth in the Act, the Transition Charge recovers the above-market costs of generation-related investments and obligations that electric companies have undertaken to provide service to their customers under traditional utility regulation. The Act authorizes and directs the Department to allow any approved transition costs to be recovered from customers through a non-bypassable Transition Charge collected by the distribution company providing service to such customers. G.L. c. 164, § 1G(e). The Companies' Restructuring Plan, as approved by the Department in D.P.U./D.T.E. 97-111, provides for the implementation of a separate Transition Charge for Cambridge and Commonwealth to be applied on a uniform cent per kilowatthour ("kWh") basis.

Q. When did Cambridge's and Commonwealth's Transition Charges first become effective?

A. Cambridge's and Commonwealth's respective Transition Charges first became effective on March 1, 1998. As a result of the Department-approved divestiture of COM/Electric's non-nuclear generating units on December 30, 1998, Cambridge's Transition Charge was reduced by 47 percent, and Commonwealth's Transition Charge was reduced by 23 percent, effective January 1, 1999. A second reduction to Cambridge's and Commonwealth's Transition Charges became effective on September 1, 1999 as a result of the Department's order approving a rate plan in D.T.E. 99-19 (1999) in conjunction with the merger of BEC Energy and Commonwealth Energy System. The Transition Charges were reduced by an amount that was equal to the Department-approved increase in the distribution charge associated with demand-side management and renewable energy charges.

On October 27, 1999, the Companies' filed their first annual Transition Charge reconciliation filing with the Department for the period March 1, 1998 through December 31, 1998, and proposed new Transition Charges for effect January 1, 2000. See D.T.E. 99-90. Tariffs implementing new charges were approved by the Department on January 5, 2000, subject to the outcome of the Department's reconciliation proceeding in D.T.E. 99-90 (now pending before the Department). Those tariffs included a Transition Charge for Cambridge of $0.00294 per kWh and $0.02856 per kWh for Commonwealth. This filing represents the second reconciliation of the Companies' Transition Charge (the "Second Reconciliation"), as approved by the Department in D.P.U./D.T.E. 97-111 and D.T.E. 98-78/83.

Q Is the format for the reconciliation exhibits filed in this case the same as those used by the Companies in past proceedings?

A. The Companies have revised the format of some of the exhibits included in this case, consistent with the methodology that was proposed by Boston Edison in

D.T.E. 99-107. In that case, the methodology of reconciling revenues associated with Transition Charges was reviewed. Under the system used by Boston Edison, as well as the Companies in past proceedings, it is assumed that every kWh delivered collects the "average" Transition Charge approved by the Department. However, because of rate-design imperfections, changes in load patterns and the presence of some discounted rates, that method does not precisely compute revenues actually charged for Transition Costs. For 1998, the Companies proposed an explicit adjustment for discount rates, and Boston Edison proposed certain adjustments in its last reconciliation case. Although the issue was not resolved in last year's Boston Edison proceeding, as part of a settlement of that case, Boston Edison indicated that it would propose a new format for the reconciliation of revenues in its next filing. It has done so (see D.T.E. 00-82), and the proposal of the Companies is consistent with that proposed methodology.

Q. What are the proposed Transition Charges for the year 2001?

A. As shown in Exhibit CAM-BKR-1, page 1, Column C (Cambridge), the proposed Cambridge Transition Charge is $0.01445 per kWh to become effective on January 1, 2001. Similarly, as shown in Exhibit COM-BKR-1, page 1, Column C (Commonwealth), the proposed Commonwealth Transition Charge is $0.03039 per kWh to become effective on January 1, 2001. The proposed Transition Charges for Cambridge and Commonwealth, coupled with the scheduled Standard Offer Service rates for 2001, will provide customers with the 15 percent reduction in their electric rates, as set forth in the Act. The overall inflation cap is computed in the prefiled testimony of Henry C. LaMontagne.

Q. Please explain the differences between the methodology used to compute the Companies' proposed Transition Charges in this case and the methodology used by the Companies in the last reconciliation filing with the Department.

A. The basic methodology continues to follow the Companies' methodology from last year's reconciliation filing. Two areas in which changes have been made include: (i) the manner of reconciling Transition Charge revenues; and (ii) the use of updated projections of kWh sales and transfer prices for purchased power contracts ("PPAs") that are used to supply Standard Offer Service. The Companies' proposed Transition Charges, as shown in Exhibits CAM-BKR-1 and COM-BKR-1, calculate the Transition Charge reconciliation adjustment by comparing delivered transition charge revenues to actual transition charge expenses to arrive at the over- or under-collection for each year.

Q. Please describe the Companies' use of updated projections to its forecast of MWh sales.

A. The use of updated projections is largely a matter of replacing certain outdated forecasts or assumptions contained in the Companies' original Restructuring Plan with more accurate or updated information. Since all such projections are eventually reconciled to actual, the major advantage for 2001 and future years is a more timely matching of costs and revenues.

Q. Please explain what a "transfer price" represents?

A. In order to impute a market price for calculating stranded purchased power costs in the Transition Charge, a transfer price is used to establish the dollar amount of power contract obligations to be collected through the Transition Charge. In 1999 and 2000, the Companies used the price for Standard Offer Service as the transfer price because existing long-term PPAs were used by the Companies to supply Standard Offer Service.

Q. How have the Companies updated their transfer prices for their purchased power contracts that are used to supply Standard Offer Service?

A. As described below, the Companies have updated the transfer prices used for the PPAs that are used to supply Standard Offer Service to reflect the addition of the Companies' proposed Standard Offer Fuel Index Adjustments for December 2000 and as further projected for 2001. This adjusted transfer price reflects the higher cost of purchased power caused by increasing fuel costs, and, added to the Standard Offer price for December 2000 and 2001, serves as the proxy for the market price, as shown in Exhibit CAM-BKR-1, page 4, Column D and Exhibit COM-BKR-1, page 4, Column D.

Q. Please describe how the Companies' Transition Charge reconciliation was previously performed.

A. The basic methodology continues to follow very closely the applicable provisions of the Restructuring Plan and the methodology employed in last year's reconciliation filing. Three areas in which there have been changes that I will highlight are: (i) the manner of reconciling Transition Charge revenues; (ii) the use of updated projections of kWh sales and transfer prices for PPAs that are used to supply Standard Offer Service; and (iii) the manner of setting the Transition Charge for 2001 (and for future years) to avoid excessive over-collection or under-collection of revenues.

The change in the manner of reconciling Transition Charge revenues was discussed during last year's Boston Edison true-up proceeding in D.T.E. 99-107 and may be briefly described as a manner of reconciling based on actual revenues received for kWh delivered, rather than on the basis of kWh delivered times an average rate. In the Companies' prior filing, Transition Charge revenues were reconciled by, in effect, assuming that every kWh delivered collected the "average" per-kWh Transition Charge established by the Department. The revenue reconciliation, therefore, represented a reconciliation solely of sales volumes, because it calculated the Transition Charge revenue reconciliation by accounting for the difference between the estimated kWh delivered and actual kWh delivered multiplied by the average Transition Charge for the year. Although, with the exception of certain discounted rates mandated by statute or regulation, every rate is designed to collect the "average" approved Transition Charge, the rate design, for some customer classes, collects the Transition Charge through peak and off-peak rates and demand charges. Mr. LaMontagne has designed the rates to collect the average Transition Charge for each class, but, in practice, this produces the precisely correct level of revenues only if the load patterns are exactly the same as those that serve the basis of the rate-design models. Deviations in load patterns within and between customer classes means that the actual Transition Charge revenues are likely to diverge from the amount the rates are designed to collect each year. This change to the manner of reconciling revenues leads to a more accurate true-up of revenues for the Company and its customers.

Q. Please describe the categories of transition costs.

A. The Restructuring Plan's transition costs consist of four categories: (i) generation-related commitments, including above-market fuel transportation costs; (ii) generation-related regulatory assets; (iii) nuclear obligations, including decommissioning costs and nuclear costs independent of operation; and (iv) above-market payments to power suppliers for PPAs, including transmission wheeling and support charges. The formula for the calculation of the Transition Charge segregates the specific costs associated with these four categories into Fixed and Variable Components. Generally, the Fixed Component includes unrecovered generation plant balances and regulatory assets. In contrast, the Variable Component includes above-market payments to power suppliers (including economic contract buyouts), certain generation-related transmission support costs, nuclear decommissioning costs, above-market fuel transportation costs, payments in lieu of taxes relating to generation (to mitigate the loss of tax revenues to communities affected by restructuring), and employee severance and retraining costs relating to restructuring and divestiture.

III. RECONCILIATION OF THE PERIOD FROM JANUARY 1, 1999 THROUGH DECEMBER 31, 1999

Q. What elements included in the Transition Charges must be reconciled in this proceeding?

A. Pursuant to the Companies' Department-approved Transition Cost Adjustment tariffs, the Companies' Base Transition Charges are adjusted at the end of a year to return or collect any outstanding balance in the Reconciliation Account. The Reconciliation Account accumulates the differences between the estimated and actual: (i) Fixed Component; and (ii) Variable Component of each of the Companies' Transition Charges. Second, the reconciliation also accounts for differences between forecasted and actual billed Transition Charge amounts collected between January 1, 1999 and December 31, 1999.

Q. How did the Companies develop their respective proposed Transition Charges to become effective on January 1, 2001?

A. The Companies' Transition Charges are updated in Exhibits CAM-BKR-1 and COM-BKR-1. These exhibits include updated amounts for both the Fixed and Variable Components of the Transition Charges that reflect the most current information available to the Companies. As shown on page 1 of the exhibits, the required revenues are divided by the forecast kWh retail deliveries to arrive at the Transition Charge rate shown in Column C.

<u>Exhibit CAM-BKR-1 and Exhibit COM-BKR-1</u>

Q. Please describe Exhibit CAM-BKR-1 and Exhibit COM-BKR-1.

A. Exhibit CAM-BKR-1 and Exhibit COM-BKR-1 reflect each company's update to its respective Transition Charge and is made up of the following pages.

Page	Description
1.	Transition Charge Calculation for 2001
2.	1999 Transition Revenues
3.	Summary of Transition Charge -- Fixed Component
4.	Variable Component
5.	Other Adjustments
6.	Total Annual Decommissioning Cost
7.	Power Contract Obligations – Annual Obligation in Dollars
8.	Annual Market Value of Power Contract Obligations
9.	Power Contract Obligations in MWh
10.	Transmission in Support of Remote Generation
11.	Summary of Total Mitigation
12.	Transition Charge Mitigation Incentive – Fixed Component
13.[1]	Transition Charge Mitigation Incentive – Variable Component

Q. Please explain page 1, the Transition Charge Calculation for 2001.

A. This summary page compares delivered transition charge revenues to actual transition charge expenses to arrive at the annual over- or under-collection for each year. Column B shows the actual and forecast MWh delivered (both billed

[1] Exhibit CAM-BKR-1 contains a single page (page 13) of variable component mitigation associated with the Seabrook buydown. Exhibit-COM-BKR-1 contains three pages (pages 13-15) of variable component mitigation associated with the buyout/buydown of three separate PPAs.

and unbilled) for each calendar year. The data for 1999 are actual data, and the 2000 sales consists of actual sales for nine months and three months of forecasted sales. The forecast for 2001 is based on the Companies' latest available sales forecast; for 2002 onward, sales are estimated to grow at a rate of 2 percent per year.

For 1999, Column C is the average Transition Charge rate billed, calculated by dividing Column D (converted to kWh) by Column B (converted to kWh). For 2000, Column C is the D.T.E. 99-90 average Transition Charge rate of $0.00294 for Cambridge and $0.02856 for Commonwealth approved by the Department on January 5, 2000. For the years 2001 and after, Column C is calculated by dividing Column J (total expenses) by Column B (MWh delivered) for Cambridge. For Commonwealth, the rates for 2001 and 2002 are constrained to accomodate the 15 percentrate reduction (adjusted for inflation) required by the Act. The Transition Charge revenues for delivered MWh (Column D) shows the actual Transition Charge revenues for 1999, and an estimate for 2000, and is calculated by multiplying Column B by Column C. For later years, Column D is calculated by summing Column E through Column I (as shown in Column J), except for the rate cap constraint for Commonwealth in 2001 and 2002. The 1999 Transition Charge revenues are shown on page 2. For 2001 forward, the Transition Charge revenues for delivered MWh are assumed to be equal to the actual transition charge expenses shown in Column J.

Transition Charge expenses are shown in the Columns E through J. The total Fixed Component (Column E) is shown on page 3. The total Variable Component (Column F) is shown on page 4 (Column L). The Other Component (Column G), reflects other variable component costs, as shown on page 5. To these current-year expenses, an adjustment is made for the prior year over- or under-collection (page 1, Column H), including interest (page 1, Column I), using a carrying charge of 5.99 percent in 1998, 5.13 percent in 1999 and 5.43 percent in 2000.

The amounts shown on page 1, Columns E through I, are summed, representing the total actual Transition Charge expense, as shown in Column J, to be collected in the current year. Column K compares the revenues in Column D to the expenses in Column J to arrive at the balance of over-or under-collections for the current year. References for each of the columns can be found at the foot of the page. This page provides a summary comparison of annual Transition Cost revenues and expenses.

For 1999 and thereafter, the Companies propose to refine the calculation of their Transition Charge over- or under-collection by reconciling the forecasted Transition Charge revenues with the actual revenues associated with delivered MWh in the same year.

Q. Please explain page 2, 1999 Transition Revenues.

A. The billed revenues are taken from each company's general ledger. The unbilled revenues for the end of 1998 are estimated using the unbilled MWh and the average transition rate for December 1998. These 1998 unbilled revenues are deducted from the 1999 billed revenues and the 1999 unbilled revenues are added to the 1999 billed revenues (adjusted for 1998 unbilled revenues), in order to calculate an appropriate adjustment for 1999 Transition Charge unbilled revenues for MWh delivered in 1999. The unbilled revenue balance for 1999 is calculated in the same way that the unbilled revenue balance for 1998 was calculated. The MWh delivered in 1999 are the billed MWh less the unbilled MWh at the start of 1999 (which were delivered in 1998) plus the unbilled MWh at the end of 1999 which were delivered but unbilled in 1999. The same methodology will be used to determine the billed and unbilled transition revenues for 2000, as reflected on page 1, Column D.

Q. Please describe Page 3, Summary of Transition Charge Fixed Component.

A. Page 3 shows the balance of Fixed Component obligations included in the Companies' proposed Transition Charges. The Fixed Component is defined in the Companies' Formula for Calculating Transition Charges (Restructuring Plan, § 1.1), and remains unchanged from the Companies' Fixed Component exhibits, as filed in D.T.E. 99-90 (January 31, 2000). The total proposed Fixed Component for the year 2001 for Cambridge is ($2,454,000) and $591,000 for

Commonwealth. The estimated Fixed Component for years 2002 through 2009 is shown in Exhibit CAM-BKR-1 and Exhibit COM-BKR-1, Schedule 1, page 1, Column E.

Q. Please explain page 4, Variable Component.

A. Page 4 provides a summary of the Companies' variable cost adjustments. The calculation is used on page 1 to develop the Variable Component of the Companies' proposed Transition Charge. The payments in Column B represent the Actual Nuclear Decommissioning costs in 1999. The Total Nuclear Decommissioning costs are detailed in Exhibit CAM-BKR-1 and Exhibit COM-BKR-1, page 6. Column C reflects the amount of the Companies' actual power contract obligations. The Total Power Obligations are detailed in Exhibit CAM-BKR-1 and Exhibit COM-BKR-1, page 7.

Q. Please explain page 4, Column D, Actual Power Contract Market Value.

A The amounts shown in Column D reflect the Companies' actual power contracts' market value. The Total Market Value of Power Contracts are detailed in Exhibit CAM-BKR-1 and Exhibit COM-BKR-1, page 8. Because all of the Companies' Total Power Obligations (as detailed in Exhibit CAM-BKR-1, page 9 and Exhibit COM-BKR-1, page 9) were effectively used to supply Standard Offer Service, the Companies' determined a transfer price in order to establish a proxy market value.

Q. Please explain the use of a transfer price in calculating the Companies' power contract market value.

A. The transfer price is used to establish the amount of above market power contract obligations that are collected through the Transition Charge. In 1999 and 2000, the Companies used the Standard Offer Service rate of $0.03500 and $0.03800 per kWh, respectively (net of line losses), as the transfer price in calculating Column D. The forecast of power contract market value for December 2000 includes an additional $0.0065 per kWh to reflect the Standard Offer Fuel Adjustment pending before the Department in D.T.E. 00-70. In 2001, an additional $0.01300 per kWh is added to the Standard Offer Service rate to reflect the Companies' estimate of the average 2001 Standard Offer Fuel Adjustment. This adjustment is applied only to those PPAs that have a fuel component.[2] For the years 2002 through 2004, the transfer price is based on the Companies' Standard Offer Service pricing. After 2004, the transfer price is based on the values filed in D.T.E. 99-90. These transfer prices are consistent with those used in the exhibits showing the cost of Standard Offer Service supply in the testimony of Rose Ann Pelletier in this filing.

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[2] The Cambridge PPAs that include a fuel charge adjustment clause include: Altresco-Pittsfield and Southern Canal 1. The Commonwealth PPAs that include a fuel adjustment clause include: Altresco-Pittsfield, Boott Mills Hydro, Chicopee Hydro, Dartmouth Power, MASSPOWER 1, MASSPOWER 2, NEA 1, SEMASS 1 and Southern Canal 1.

Q. Please describe page 4, Column E, Actual Transmission in Support of Remote Generating Units.

A. Column E reflects the actual transmission payments made by the Companies from March 1998 through December 31, 1999 and estimates for 2000 and thereafter. These amounts represent support payments made by the Companies for the transmission services needed to carry electricity from the Companies' entitlements in off-system generation to the Companies' service territories. These wheeling and support payments include only those costs that are excluded from recovery under Cambridge's/Commonwealth's wholesale FERC-approved transmission tariffs. The costs included in Total Transmission in Support of Remote Generating Units are detailed in Exhibit CAM-BKR-1 and Exhibit COM-BKR-1, page 10.

Q. Please explain page 4, Column F, Actual Above Market Fuel Transportation Costs.

A. The 1998 amount for above-market fuel transportation costs was determined by summing the support payments made by Canal Electric Company ("Canal") to Algonquin Gas Transmission Company associated with gas deliveries to Canal Unit 2 through December 30, 1998 (the "Divestiture Date"). As a result of the divestiture of Canal Units 1 and 2 on December 30, 1998, the Companies no longer have any future responsibilities for these costs. Accordingly, the adjusted amount shown for 1999 and 2000 is $0.

Q. Please explain page 4, Column G, Actual Power Contract Buyouts and Column H, Actual Payment in Lieu of Property Taxes.

A. Column G reflects actual power contract buyout amounts for the period March 1, 1998 through December 31, 1999. Column G for Commonwealth reflects the buydown of Lowell Cogen contract starting December 1999 and ending May 2004. In addition, Commonwealth entered into power contract buyouts/buydowns during this period with Pilgrim and PREA. The buyout/buydown payments are included as reductions to the Residual Value Credit in Exhibit COM-BKR-2. Cambridge did not have any contract buyouts/buydowns during 1999.

Column H shows any actual payments in lieu of property taxes. The Companies have not incurred any payments in lieu of property taxes since the implementation of the Transition Charge on March 1, 1998 through December 31, 1999.

Q. Please describe page 4, Column I, Actual Employee Severance and Retraining Costs.

A. Column I reflects actual employee severance and retraining costs in 1999 which relate to employees who terminated employment as a result of the divestiture of the Companies' generation facilities, as described in Exhibit CAM-BKR-3 and Exhibit COM-BKR-3.

Q. Please explain page 4, Column J, Actual Revenue Credits and Damages, Costs, or Net Recoveries from Claims.

A. Column J reflects actual damages, costs or net recoveries from claims. As shown, the Companies have not incurred any such costs during the period March 1, 1998 through December 31, 1999.

Q. Please explain page 4, Column K, Actual Credit for Wholesale Contracts.

A. Column K for Cambridge reflects a credit for the fixed monthly portion of its wholesale power contract with the Town of Belmont for 1999 through 2003. For 1998, consistent with what was filed in Cambridge's first reconciliation filing, D.T.E. 99-90, a credit is reflected for all revenues associated with the Belmont wholesale power contract. For the years 1999 through 2003, the wholesale variable revenues attributable to the Belmont contract are reflected as a credit to the Standard Offer Service supply costs (see Exhibits CAM/COM-RAP, CAM-RAP-1 and CAM-RAP-2) Wholesale fixed monthly revenues associated with Belmont are credited to Cambridge's Transition Charge.[3]

Q. Please explain page 4, Column L.

A. Column L reflects the total variable cost component reconciliation based on actual data for 1999. The amount shown in Column L is flowed through to page 1, Column F.

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[3] Commonwealth has no similar wholesale power contracts. However, Column K is used to reflect Commonwealth's 11 percent share of Pilgrim's Nuclear Costs Independent of Operation payable to Boston Edison Company.

Q. Please describe page 5, Other Adjustments.

A. Page 5 reflects the following additional transition charge reconciliation adjustments: (1) a transition charge discount (Column B); (2) a rate design adjustment (Column C); (3) interest on lost revenue (Column D); (4) a generating unit performance program adjustment (Column E); (5) a fuel charge over-recovery adjustment (Column F); (6) a FAS 87 transition obligation adjustment (Column G); (7) an EIS return on investment adjustment (Column H); (8) a mitigation incentive adjustment (Column I); (9) gain on the sale of utility land (Column J); and (10) the Companies' Transition Charge mitigation incentive (Column K). Column L is the sum of Columns B through K.

Q. Please describe the Transition Charge Discount shown in Column B.

A. For 1998, the Transition Charge discount in Column B is required to reflect discounts for certain customer classes (i.e., farm and primary service). The revised method of computing Transition Cost revenues beginning for the year 1999 makes this adjustment unnecessary after 1998.

Q. Please describe the Rate Design Adjustment shown in Column C.

A. The Department has established certain rate-design requirements to determine whether companies have complied with the 15 percent rate-reduction mandates of the Act. To comply with those requirements, the Companies have been required to adjust some distribution rates. However, in performing the required adjustments to distribution rates, it was not possible to develop new rates that were consistent with the Department's rate design objectives on a revenue-neutral basis. As a result, the Companies experience base distribution revenue reductions which are included in Column C.

Q. Please explain the interest on lost revenue shown in Column D.

A. Consistent with the Companies' Restructuring Plan, the Companies calculated lost revenues on their generation investments for the period March 1, 1998 through December 30, 1998. Resulting lost revenues of $5,963,000 for Cambridge and $5,954,000 for Commonwealth were deferred on the Companies' books until January 1, 1999, when the lost revenues were applied against the Residual Value Credit resulting from the Divestiture. However, the Companies did not obtain a return on the lost revenues that were deferred and later applied against the Residual Value Credit as of January 1, 1999. Accordingly, the adjustment shown in Column D reflects the recovery of the allowed return (i.e., interest on customer deposits) on the lost revenues during the 1998 deferral period.

Q. Please explain the Generating Unit Performance Program ("GUPP") adjustment shown in Column E.

A. The GUPP adjustment shown in Column E reflects the refund amounts to be made by the Companies to their respective retail customers ($1.750 million for Cambridge; $0.750 million for Commonwealth) as a result of a settlement of the Companies' generating unit performance proceedings in D.P.U./D.T.E. 95-2C-1/3C-1 et al. (2000).

Q. Please explain the Fuel Charge Over-Recovery in Column F.

A. The Companies were ordered to return their final fuel charge over-recovery balances to retail customers through line item credits during the billing months of October 1999 through March 2000. D.T.E. 98-13B. Any amounts remaining after these refunds are adjusted through the Companies' Transition Charges. The amount shown in Column F reflects the Companies' reconciliation of the return of these over-recoveries, pursuant to the Department's Order.

Q. Please explain the FAS 87 Transition Obligation Adjustment in Column G.

A. In the Companies' last reconciliation proceeding, D.T.E. 99-90, the Companies inadvertently included amounts for (accrued)/prepaid pension cost (as of December 31, 1998) in error. Column G reflects an adjustment to reflect the proper amount of the Companies' FAS 87 transition obligation (see Record Request DTE-21, D.T.E. 99-90).

Q. Please explain the adjustment for EIS return on investment shown in Column H.

A. In D.T.E. 98-78/83-A, the Department approved the Companies' proposal to create Energy Investment Services ("EIS"), which is a special-purpose affiliate that holds and manages the proceeds from the sale of the Canal 1 and 2 generating facilities and makes distributions from its funds to reduce the transition costs of Cambridge and Commonwealth. The amounts shown in Column H reflect a positive adjustment to the forecasted amount of distributions from EIS, as projected in the Companies' last reconciliation filing, D.T.E. 99-90.

Q. Please explain the mitigation incentive adjustment in Column I.

A. Column I is a reconciling adjustment representing the *difference* between the Companies' estimate of their 1999 mitigation incentive, as shown in Column K, and the updated actual amount of the mitigation incentive for each Company. The actual amount of mitigation incentive can be calculated by summing Column I and Column K.

Q. Please describe the gain on the sale of utility land shown in Column J.

A. During 1998, Commonwealth sold property that was included in its utility plant accounts. Consistent with the requirements of the Act, the gain from this sale is returned to customers as a credit to the Transition Charge and listed in Column I.

Q. How was the Transition Charge Mitigation Incentive calculated in Column K?

A. The mitigation incentive amount shown in Column K is calculated in accordance with the formula contained in the Companies' approved Restructuring Plan. <u>See</u> D.P.U./D.T.E. 97-111-A at 5-6. As described in D.P.U./D.T.E. 97-111-A, the Companies' mitigation incentive is composed of two elements: (1) an incentive for reducing the Fixed Component of their Transition Charge; and (2) an incentive for mitigating above-market power contracts. As a mitigation incentive to reduce the Fixed Component of their Transition Charge, the Companies are permitted to earn an incentive equal to 4 percent of any amount over the net book value that they receive from the divestiture of their generating assets. As a mitigation incentive to reduce the Variable Component of their Transition Charge, the

Companies are permitted to earn an incentive equal to 4 percent of the net incremental mitigation associated with the Companies' efforts to renegotiate, restructure or terminate their existing power contracts.

It should be noted that the Companies' calculation of the mitigation incentive for amounts received from the Divestiture (over the net book value) is based on the balance of such proceeds *after* subtracting the amount of all proceeds that were used to finance the amounts for the buyout/buydown of existing power contracts. This calculation is shown in Exhibit CAM-BKR-1 and Exhibit COM-BKR-1, page 12. The Companies' calculation of their incentive to renegotiate, restructure or terminate their existing power contracts is shown in Exhibit CAM-BKR-1, pages 12 through 13 (Cambridge) and Exhibit COM-BKR-1, pages 12 through15 (Commonwealth). Subtracting the amount of all proceeds that were used to finance the buyout/buydown amounts from the amounts received from the divestiture eliminates any "double counting" of earned incentives associated with the use of the Divestiture proceeds to buyout/buydown existing power contracts.

Q. Please explain Column L, Total Other Adjustments Costs.

A. Column L shows the total of all other adjustments reflected on page 5. It is calculated by summing the components contained in Column B through Column K. These amounts are carried forward to page 1, Column G.

Q. Please describe page 6, Total Annual Decommissioning Cost

A. Page 6 reflects the total annual decommissioning and related post-shutdown obligation costs for Cambridge and Commonwealth. The information provided on this schedule for the period March 1, 1998 through December 31, 1999 is consistent with previously provided schedules in the Companies' compliance filings and D.T.E. 99-90. Amounts shown for 1998 and 1999 are actual. The amount shown for 2000 includes eight months of actual data and four months of forecasted data. This information will be updated to actual in the spring of 2001. For 2001 and after, the costs are the same as filed in D.T.E. 99-90.

Q. Please describe page 7, Annual Power Contract Obligation (in Dollars).

A. Page 7 shows Cambridge's and Commonwealth's annual PPA obligations in dollars for the period March 1, 1998 through 2026. The data shown for 1998 and 1999 reflect actual amounts; 2000 costs represent eight months' actual and four months of forecasted information. Actual information for 2000 will be updated in the spring of 2001. Costs for the year 2001 are updated to reflect the Companies' latest forecast. For 2002 and after, the costs are the same as filed in D.T.E. 99-90.

Q. Please explain page 8, Annual Market Value of Power Contract Obligations.

A. The amounts shown on page 8 reflect the market value of the Companies' PPAs, which is based on the proxy of the Standard Offer and Default Service charges to the Companies' customers. As described above, the forecast of power contract market value for December 2000 includes an additional $0.0065 per kWh to reflect the Standard Offer Fuel Adjustment pending before the Department in D.T.E. 00-70. In 2001, an additional $0.01300 per kWh is added to the Standard Offer rate to reflect the Companies' estimate of the average 2001 Standard Offer Fuel Adjustment. This adjustment is applied only to those PPAs that have a fuel component. For the years 2002 through 2004, the transfer price is based on the Companies' Standard Offer Service pricing. After 2004, the transfer price is based on the values filed in D.T.E. 99-90. The total amounts, as shown in Column N, are flowed through to page 4, Column D.

Q. Please describe page 9, Power Contract Obligations in MWh.

A. Page 9 shows the Companies' power contract obligations in annual MWh for the years 1998 through 2026. Amounts shown for 1998 and 1999 are actual. The values listed for 2000 reflect eight months of actual information and four months of estimated data. Actual information for all of 2000 will be provided as an update in the spring of 2001. Amounts shown for 2001 have been updated to reflect the Companies' current forecast. For 2002 and after, the costs are unchanged from those filed in D.T.E. 99-90.

Q. Please describe page 10, Transmission in Support of Remote Generation.

A. Page 10 provides supporting detail for the data contained on page 4, Column E, which are transmission payments made by the Companies from March 1998 through December 31, 1999. Amounts shown are actual information for the first eight months of 2000 and estimates for the period September 2000 through

December 2000. These amounts represent support payments made by the Companies for the transmission services needed to carry electricity from the Companies' entitlements in off-system generation to the Companies' service territories. These wheeling and support payments include only those costs that are excluded from recovery under Cambridge's/Commonwealth's wholesale FERC-approved transmission tariffs. For 2001 and after, the costs are unchanged from those filed in D.T.E. 99-90.

Q. Please explain Pages 11 through 13 of Exhibit CAM-BKR-1 and Pages 11 through 15 of Exhibit COM-BKR-1, relating to the Companies' Transition Charge Mitigation Incentive Calculation.

A. In accordance with the Companies' Restructuring Plan, as approved by the Department in D.P.U./D.T.E. 97-111-A (1998), page 11 presents a summary of each company's fixed and variable incentive mitigation component. Support for Cambridge's mitigation incentive amounts shown on page 11 can be found on page 12 (the Fixed Component) and page 13 (the Variable Component). Support for Commonwealth's mitigation incentive amounts shown on page 11 can be found on page 12 (the Fixed Component) and pages 13, 14 and 15 (the Variable Component). Pursuant to the Companies' incentive mechanism, the Companies are permitted to earn an incentive for reducing the Fixed Component of the Transition Charge equal to 4 percent of amounts received from the sale of generating assets in excess of net book value. The total mitigation incentive amount shown on page 5 (Column K) reflects the Companies' sale of substantially all their non-nuclear generating assets to Southern New England L.L.C. on December 30, 1998. The Companies are also entitled to earn an incentive for mitigating above-market power contracts equal to 4 percent of the net incremental mitigation resulting from the Companies' efforts to mitigate transition costs. Commonwealth earned a Variable Component incentive as a result of renegotiating two power supply contracts, Pilgrim and Lowell Cogen. As noted above, because a portion of the proceeds from the sale of the Companies' generating assets was used to buy out these contracts, the incentive earned by Commonwealth for reducing the Fixed Component of Commonwealth's Transition Charge is reduced by the buyout amount. Cambridge and Commonwealth will earn a Variable Component incentive as a result of renegotiating its Seabrook power contract in 2000.

<u>Exhibit CAM-BKR-2 and Exhibit COM-BKR-2</u>

Q. Please describe Exhibit CAM-BKR-2 and Exhibit COM-BKR-2.

A. Exhibit CAM-BKR-2 and Exhibit COM-BKR-2 summarize the calculation of each company's Fixed Component, including the Residual Value Credit, that is applicable to each of the years 1999 through 2009. The Companies' Fixed Component remains unchanged from the data presented in the Companies' First Reconciliation, as submitted by the Companies on January 30, 2000 in D.T.E. 99-90. For ease of reference, Exhibit CAM-BKR-2 and Exhibit COM-BKR-2 are comparable to previously filed Schedule 1, pages 2, 5, 5A, 6, 6A, 8, 8A, 9, 9A and Schedule 7 from D.T.E. 99-90 (January 30, 2000).

<u>Exhibit CAM-BKR-3 and Exhibit COM-BKR-3</u>

Q. Please describe Exhibit CAM-BKR-3 and Exhibit COM-BKR-3.

A. Exhibit CAM-BKR-3 and Exhibit COM-BKR-3 show the Companies' employee severance costs associated with the Companies' divestiture of generating facilities on December 30, 1998. The total amount of these costs is flowed forward to Exhibit CAM-BKR-1 and Exhibit COM-BKR-1, page 4, Column I. For ease of reference, Exhibit CAM-BKR-3 and Exhibit COM-BKR-3 are comparable to previously filed Schedule 5 in D.T.E. 99-90.

<u>Exhibit CAM-BKR-4 and Exhibit COM-BKR-4</u>

Q. Please describe Exhibit CAM-BKR-4 and Exhibit COM-BKR-4.

A. Exhibit CAM-BKR-4 and Exhibit COM-BKR-4 are consistent with Boston Edison's response to Information Request DTE-4-1 in D.T.E. 99-107, and illustrate the methodology and actual mechanics of how the FERC-approved transmission costs are charged to retail customers (as stated in that response, FERC has exclusive jurisdiction over transmission service). These exhibits derive the proposed average retail transmission rate to be effective January 1, 2001, based on forecast 2000 retail transmission costs per the current FERC-approved tariffs. The 2001 calculation includes the final true-up for 1999 retail transmission costs. The proposed Transmission Charge for Cambridge, beginning on January 1, 2001, is $0.01442 per kWh, and the proposed Transmission Charge for Commonwealth is $0.00726 per kWh, beginning on January 1, 2001.

Q. Please describe the reasons for the increases in the proposed Transmission rates compared to the Transmission rates currently in effect.

A. The Companies' increase in the retail transmission rate is attributable to costs incurred for Congestion Management and for Phase I and Phase II Uplift Charges that were included as part of a settlement agreement under the NEPOOL Open Access Transmission Tariff, beginning in 1999 and escalating in 2000.

IV. SUMMARY

Q. Please summarize your testimony concerning the reconciliation of the Companies' Transition Charge in this case.

A. As described above, the Companies' reconciliation filing in this case involves updates to the currently effective Transition Charge for Cambridge and Commonwealth. The combined effect of all of these updates results in a proposed Transition Charge for Cambridge, beginning on January 1, 2001, of $0.01445 per kWh, and a proposed Transition Charge for Commonwealth, beginning on January 1, 2001 of $0.03039 per kWh.

Q. Does this conclude your testimony?

A. Yes, it does.